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WOMEN'S CAREER CHOICE EQUITY LEGISLATION

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY AND INCOME MAINTENANCE PROGRAMS

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

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WOMEN'S CAREER CHOICE EQUITY LEGISLATION

THURSDAY, JULY 28, 1983

U.S. SENATE,
SUBCOMMITTEE ON SOCIAL SECURITY
AND INCOME MAINTENANCE PROGRAMS,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 2 p.m. in room SD-215, Dirksen Senate Office Building, Hon. William L. Armstrong (chairman) presiding.

[The press release announcing the hearing and opening statement of Senator Dole follows:]

[Press Release]

For immediate release July 15, 1983.

Senator William Armstrong, Chairman of the Subcommittee on Social Security and Income Maintenance Programs, announced that the July 22nd hearing on S. 960, women's career choice equity legislation, previously scheduled for 2 p.m., has been rescheduled for Thursday, July 28th at 2 p.m.

OPENING STATEMENT OF SENATOR DOLE

I commend the Senator from Colorado for holding this hearing on S. 960 and women's career choice equity legislation. The issue at hand is whether Federal law, either directly or indirectly, regulates economic opportunities for women in such a way as to alter their career choice between paid employment and homemaking. For example, do government programs such as Individual Retirement Accounts treat two-earner couples more favorably than couples in which one spouse is a career homemaker? Does social security tend to have a similar effect, or are there other biases created by the system? While today's hearing will focus on just two provisions in S. 960 which deal with social security, the general subject is an important one that the Finance Committee and Congress will be grappling with in the context of the overall women's equity issue in the months and years ahead.

Increasingly, the treatment of women under social security is becoming a focus of public attention. And no wonder! The basic structure of the system, whereby benefits are paid to workers upon retirement and to their wives and widows as presumed dependents, was established nearly a half century ago. The system was consistent with a pattern of family relationships that was prevalent at the time—families in which marriages lasted for a lifetime, women were mothers and homemakers, and men were the source of economic support.

But, profound changes have taken place in the role of women in the work place and in the pattern of family relationships, especially during the last twenty to thirty years. This can be highlighted by a few statistics:

WOMEN IN THE WORK FORCE

In 1960, 23 million women were in the labor force or about 38 percent of their ranks. Today, the number of women in the labor force is more than twice that, amounting to 53 percent of adult women.

In the decade 1968–1978, the number of "traditional" families, in which only the husband worked, actually declined (by 4.1 million), while the number of dual-earner families rose by 4.5 million or about 25 percent.

Today, both the husband and wife work in 51 percent of all marriages, as compared to 1920, when 9 percent of marriages could be characterized in that way.

WOMEN AS WORKING MOTHERS

Eight and one-half million children under six, or about 44 percent of all such children, have mothers in the labor force.

MARRIAGE AND DIVORCE

The marriages of one in three women age 26–40 are expected to end in divorce.

Whereas in 1940, 6 marriages occurred for each divorce, there were just 2 marriages for each divorce by 1975.

Between 1970 and 1981, the divorce rate more than doubled, climbing from 47 per 1,000 married couples to 109.

WOMEN AS HEADS OF HOUSEHOLDS

The number of women maintaining families on their own has more than doubled in the past two decades, from 4.5 million in 1960 to 9.7 million in 1982.

Today, 1 out of 6 of the Nation's families are headed by a woman.

19.7 million children, 20 percent in all, live with one parent; in 90 percent of these cases, that parent is the mother.

WOMEN AS SENIOR CITIZENS

Whereas half of the elderly population was female in 1940, women account for about 61 percent of the elderly population today. Most elderly women are widows.

The gap between male and female life expectancy at age 65, only 1½ years in 1940, has increased to 4½ years today, and is projected to continue rising in the decades ahead.

The statistics go on and on, but one conclusion stands out. Women are now an important part of the work force at the same time they are an important source of economic security for their families and themselves. It should come as no surprise that there is broad support for critically reexamining the impact of the social security system on women, whether as homemakers or as full-time employees, and for taking legislative action where necessary to remedy inequities.

Some legislative headway, albeit limited, was made in the recently enacted financing bill, the Social Security Amendments of 1983. In that bill, benefit adequacy was improved for widows, divorced wives and disabled widows. The public pension offset enacted in 1977 was liberalized in recognition of its potentially severe impact on lower income women who entered the work force or returned to work late in life. In addition, a Senate amendment, which was included in the bill, calls for a study by the Department of Health and Human Services on the feasibility of implementing proposals for earnings sharing. It is my hope that this study can serve as the basis for more comprehensive hearings on social security and the treatment of women next Spring.

There is no denying that cost will be a concern whenever reform of social security is mentioned. A well financed system is absolutely essential for all of our nation's elderly. But where there is a will, there is a way. Additional financing can either be provided or else program changes can be made effective after 1990, when the real financing crunch in the retirement system is expected to have passed. Modifications designed to update the system to reflect the role of women in today's society can and should be considered.

Once again, I thank the distinguished Chairman of the Subcommittee on Social Security and Income Maintenance Programs for organizing this hearing. I look forward to the testimony of our witnesses.

Senator ARMSTRONG. The committee will come to order. Today we are holding hearings on S. 960, legislation intended to correct some of the economic inequities which operate against women in our country today. This legislation includes an IRA provision, two social security provisions, and a provision intended to amend the Walsh-Healey Act, and Contract Work Hours and Safety Standards

Act to remove the daily overtime restrictions placed on Federal contractors in the private sector.

Although I think the main thrust of this legislation is relatively familiar to everyone in the room, I will insert in the record at this point a statement describing it in detail.

[The statement from Senator Armstrong follows:]

STATEMENT OF HON. WILLIAM L. ARMSTRONG

The hearings we are holding today are on S. 960, legislation that I introduced this past March which is intended to correct some of the economic inequities which still exist against women in our country today. This legislation includes an IRA provision, two social security provisions, and a provision intended to amend the Walsh-Healey Act and the Contract Work Hours and Safety Standards Act to remove the daily overtime restrictions placed on federal contractors in the private sector. Since this last provision amending the Walsh-Healey Act remains primarily within the jurisdiction of labor, we have not emphasized this provision in our hearings today. Yet it is important to note that this change would allow women who fall within this category more flexibility in their work schedules to allow for family and child care commitments. Equally important is that the cost savings which are realized by those government contractors electing to use compressed workweeks would result in reductions in the cost of federal procurements. Therefore, I think this provision is very important to this legislation although it will not be discussed in depth in these hearings.

At this point in the record, I would like to insert a statement the Reagan Administration has made previously in support of the compressed workweek provision included in this bill.

This provision is properly within the jurisdiction of the Senate Labor Committee, so today's hearings will not focus on this particular issue.

Also included in S. 960 is a provision that increases contributions that non-working dependent spouses can make for Individual Retirement Accounts. Currently, dependent spouses can contribute $275 to an IRA; while working spouses can contribute $2,000. The provision in S. 960 increases the IRA contribution to $2,000 for dependent spouses . . . and thereby achieves parity.

[From the Congressional Record, Apr. 6, 1983]

ELIMINATING DISCRIMINATION AGAINST WOMEN

Mr. ARMSTRONG. Mr. President, since the introduction of the suffrage amendment by the 66th Congress in 1919, much progress has been made to eliminate discrimination against women. In recent years, legislation such as the Career Education Incentive Act (1977), the Women's Educational Equity Act (1978), legislation to eliminate prohibition of women in mines (1978), legislation allowing women to enter the U.S. military academies (1975) and the Federal Employees Flexible and Compressed Work Schedules Act (1978), have been enacted to promote and support women's full participation in the careers of their choice. Many other examples exist which eliminate barriers to equal economic benefits for women, and which intend to adequately award women for their accomplishments. Americans can be proud for such progress in the promotion of equal opportunities for women. But inequalities still exist.

On March 24, I introduced legislation which seeks to eliminate some of the specific economic inequalities which still exist. Various groups concerned with correcting these inequalities and in promoting women's and family issues, have submitted some of the ideas which are contained in this bill. I support the concept of this legislation but recognize that these proposals need to be subjected to the full legislative process of hearings and committee review to make certain that the essential goals of economic equality are achieved. I therefore seek the advice and comment of my colleagues and interested persons and groups about these proposals.

I realize that much legislation has already been introduced in this session that is intended, in some way, to benefit women. I am submitting these proposals with the intent of achieving solid economic progress and equity for women. I am not interested in "window dressing" legislation. Symbolic victories do not pay grocery bills or give real recognition to the contribution of women to our society. The women of this country will be best served if Congress and the State legislatures systematically

work to eliminate inequities resulting from the attitudes and practices of an earlier age.

ANALYSIS OF PROVISIONS

Section 101 sets out the findings and purpose of this legislation.

Section 201 would amend section 219(c) of the Internal Revenue Code of 1954 to allow married individuals to establish individual retirement accounts (IRA's) and contribute up to $2,000 per year, either out of their own compensation income or out of their spouse's compensation income.

This amendment would allow a career homemaker whose compensation is less than $2,000 per year to contribute the full $2,000 from the spouse's earnings in an individual IRA, or joint IRA. A married couple could then have two IRA's and contribute a total of $4,000 per year even though only one spouse had compensation income.

This amendment would remedy the present $1,750 per year discrimination in the IRA section of the Internal Revenue Code under which couples where both husband and wife are in the work force can put $4,000 per year into IRA's, but couples where one spouse is a career homemaker are allowed to put only $2,250 into IRA's.

This amendment is a matter of simple equity. It should be obvious that career homemakers will someday grow old and need retirement income just as much as men and women in the work force. Our Tax Code should not discriminate against an individual's choice to be a career homemaker.

Section 301 amends the General Education Provisions Act to prohibit career guidance materials published or funded by the Federal Government from discriminating against homemaking as a career. Career guidance should encourage women's free choice in all careers whether it be the more traditional career of homemaking or nontraditional careers. More and more women today and in the future will choose to enter in or drop out of the work force and therefore will alternate between both traditional and nontraditional careers at some time during their lives. Career guidance, therefore, should encourage flexibility in choice of careers as well as variety.

Section 401(a) would amend the Walsh-Healey Act and the Contract Work Hours and Safety Standards Act to remove the daily overtime restrictions placed on Federal contractors in the private sector. Private sector employees of contractors providing foods and services to the Federal Government are still subject to outdated and counterproductive laws that restrict their working habits to an 8-hour day. This section would bring these laws governing Federal contractors into conformance with the Fair Labor Standards Act and maintain the 40-hour workweek overtime standard.

Both the Federal and private sectors have effectively used compressed and flexible work schedules. Such schedules have been proven to increase productivity, reduce energy requirements, and to be more responsive to the desires of employees. Equally important is that the cost-savings which are realized by those Government contractors electing to use compressed workweeks would result in reducations in the cost of Federal procurements.

This change would allow women who fall within this category more flexibility in their work schedules to allow for family and child care commitments.

Sections 501 and 502 correct an inequity in the current social security benefit structure.

In section 501, a divorced dependent spouse who does not remarry qualifies for benefits at retirement based on either the individual's earnings record or one-half of the spouse's benefits (only if the marriage lasted 10 years), whichever is more. This choice may leave a divorced dependent spouse with few benefits because of the likelihood the dependent spouse has little or no earnings during the marriage. Upon divorce, the dependent spouse reenters the work force, possibly at an entry level position, and not only has low earnings, but also a large number of years in which there were no earnings, and suffers reduced benefits.

This proposal corrects this inequity by providing an additional dropout year for each year a dependent spouse was married, and who upon divorce enters the work force and does not subsequently remarry. The effect of this proposal is to reduce the time period on which benefits are calculated for this narrow class of citizens.

Section 502 allows for additional dropout years for child care, and was originally proposed as part of the social security reform bill.

Social security retirement benefits are based, in part, on the average earnings history of each wage earner. Under current law, a worker may disregard the 5 years in which the worker has the lowest income. The effect of dropping the 5 lowest years is to increase retirement benefits.

My original proposal called for providing three additional "dropout years" for spouses who leave the work force to care for young children at home. During markup of the social security reform bill, I agreed to reduce the proposal slightly and my amendment providing two additional dropout years for child care was accepted by the Senate. Unfortunately, it was deleted by the Conference Committee.

When social security was created, the growth of marriages where both husband and wife work was not anticipated. Today both spouses work in most marriages, but the social security benefit structure penalizes those who leave the work force to care for children at home. This section compensates for this inequity by providing two more dropout years for child care in addition to the 5 years available to any worker under current law.

Senator ARMSTRONG. Briefly, however, section 201 would amend the Internal Revenue Code to allow married individuals to establish individual retirement accounts and contribute up to $2,000 per year for both partners in a marriage regardless of whether or not only one is employed. At the present time, the limitation, as you know, is $2,250.

Section 301 of the act amends the general Education Provisions Act to prohibit career guidance material published or funded by the Federal Government from discriminating against homemaking as a career.

Section 401 of the act is the Walsh-Healey provision, which I mentioned a moment ago.

In section 501, a divorced dependent spouse who does not remarry qualifies for benefits at retirement based on either the individual's earnings' record or one-half of the spouse's benefits only if the marriage lasted 10 years, whichever is more. This choice, as you know, may leave a divorced spouse in a sort of catch 22 situation in which they simply do not have enough remaining earnings years to compile a satisfactory retirement earnings' record. And so this section allows for correction of that situation by splitting the earnings' record in certain cases.

Section 502 allows for additional dropout years for child care, and was originally proposed, and, in fact, adopted by the Senate as part of the Social Security Reform Act. Unfortunately, that provision was not included in the final version of the legislation adopted by the conference committee.

It appears that with unerring instincts for the least convenient moment at which to have a vote on the floor, that we are, in fact, having a rollcall vote. And so before we begin, let me check and be sure that is true. And perhaps we will suspend very briefly for that purpose.

While that is going on, perhaps I can introduce our first witness who is Mr. Louis D. Enoff, Acting Deputy to the Deputy Commissioner of the Social Security Administration, who is accompanied by Letty Passig of the Office of Policy, and Virginia Reno of the Office of Research, Statistics and International Policy of the Social Security Administration.

Why don't you come forward to the witness table, and let me just ask that before you begin we determine whether or not in fact that is a vote, and if it is, I will go over and vote and come back so that we don't have to interrupt your testimony. [Pause.]

Senator ARMSTRONG. My apologies. It is a vote. It turns out it is a vote on the conference report on the withholding tax on savings accounts, which, as you may have heard, is a matter of some inter-

est around here. I'm sorry to have to do it, but I will run over and vote. And it will take me about 7 or 8 minutes to vote and return.

[Whereupon, at 2:05 p.m., the hearing was recessed.]

AFTER RECESS

Senator ARMSTRONG. Jim, my apologies for delaying the proceedings. But we are awfully glad to welcome Mr. Enoff. And we are eager to hear your testimony on the legislation. Please proceed.

STATEMENT OF LOUIS D. ENOFF, ACTING DEPUTY COMMISSIONER FOR PROGRAMS AND POLICY, SOCIAL SECURITY ADMINISTRATION

Mr. ENOFF. Thank you, Mr. Chairman. I'm pleased to be here today, and to discuss your bill, S. 960, which is designed, among other things, to improve the protection women have under the social security program.

As you know, this administration is committed to assuring that the interests of women are adequately addressed under all the Federal programs which affect them.

Since the early years of the social security program, there has been interest in improving protection for women and this is a continuing interest that we share. Over the past 35 years, benefits have been added for various categories of women, including disabled widows, divorced wives, and surviving divorced wives. And benefit amounts, including those for the benefit categories that include a high proportion of women, have been substantially increased.

Nevertheless, there remains a serious question whether the social security system is as fair and as responsive as it might be in dealing with the multifaceted lives of women—especially those who shift between homemaking and paid work.

Many of the problems women encounter under the system arise because of changes in demographic, economic, and social trends affecting American families, such as the increasing labor force participation rates of women, especially married women, and the increasing likelihood of divorce. The system, which was set up in the 1930's of providing primary benefits for workers with auxiliary benefits for their spouses paralleled the society as it was at that time. That is, people were generally either lifelong workers or lifelong homemakers.

Today, however, many women are unpaid homemakers for part of their lives and paid workers for part of their lives. And many people think that the current social security system does not adequately take account of the split nature of their worklives. The provisions of S. 960 which relate to social security are, of course, directly related to this issue; the provisions would affect benefits for women who have worked both in the home and in the paid labor force.

The social security system was designed to provide basic retirement income and not to meet the full needs of workers' families. Nevertheless, as social trends have changed; the perception of the way social security meets its basic goal has also changed. I would note, however, that the ways these changes affect social security

generally are complex and require careful study before efforts may be made to reflect them in the statute.

Over the past 10 years or so, there has been increasing focus on these issues relating to the treatment of women under social security. Several high-level groups, both within and outside government, have attempted to deal with some of the specific problems and with the broad issues raised by evolving career patterns, including both paid and nonpaid work of women. There have also been specific legislative changes that have addressed some of these concerns. As you know, Mr. Chairman, the recently enacted social security amendments—Public Law 98-21—contains several provisions that improve benefits for widows and surviving divorced wives. Under these amendments, benefits for disabled widows and widowers aged 50 to 60 were increased to 71½ percent of the worker's full benefit. Under prior law such benefits could have been as low as 50 percent.

The method of computing benefits for widows and widowers whose spouses died before retirement was changed in order to provide a benefit that reflects the standard of living closer to the time the widow or widower reaches retirement age.

Another change allows divorced spouses to receive benefits based on the earnings of a former spouse who is eligible for retirement benefits regardless of whether the former spouse has applied for or is receiving benefits. And yet another change eliminates the adverse affects that certain marriages or remarriages had on disabled widow benefit rights. And, finally, widows and widowers claiming reduced benefits are allowed under the new law to claim a month's retroactive benefit to assure that they will not lose benefits because their spouses died late in a month, making it difficult for them to file the necessary applications on time.

In addition, those amendments eliminated most of the remaining explicit gender-based distinctions in the social security program. In the 1950's and 1960's, there were some moves in this direction and there were significant court decisions over the past decade to further remove such distinctions. With the passage this year of the provisions eliminating eight gender-based distinctions, nearly all such distinctions have been eliminated.

Nevertheless, even with these changes, there remain basic questions concerning the treatment of people who divide their careers between paid employment and homemaking. And there is continuing concern that there is a high proportion of women among the social security beneficiaries who are least well off financially. There does not, however, seem to be agreement on the specific steps that should be taken to change the current system. Unfortunately, the complexity of the law makes the issue very difficult, and there is no easy solution. Proposals that address the concerns of one group can either be very costly or can exacerbate the concerns of another group.

Several advisory councils and other advisory boards have looked at the issues, and several governmental studies of the issues have been completed. Although, as I noted earlier, improved benefits for many widows and divorced spouses were included in the 1983 amendments, no consensus has developed for further incremental changes or for more basic revisions in the program.

We are currently undertaking a study of proposals to deal with the treatment of women under social security. This study was mandated by the 1983 amendments. The report is due to Congress by July 1984. This legislation requires a study of the implementation of various earnings sharing proposals. These proposals could fundamentally alter the way social security protection is provided for homemakers or for persons who alternate between homemaking and paid employment.

As our work on this study moves forward, we will certainly keep the subcommittee informed of our progress, and consult with you and other interested groups in areas of particular interest.

Through these cooperative efforts, I believe that when the study is complete both we in the administration and the Congress will be in a better position to review a wide range of possible ways that the social security system could be improved to take account of current and future socioeconomic conditions.

Mr. Chairman, that concludes my prepared testimony, and I would be pleased to try and answer any questions.

Senator ARMSTRONG. Well, we are very happy to have your thoughts.

[The prepared statement of Louis D. Enoff follows:]

STATEMENT BY LOUIS D. ENOFF, ACTING DEPUTY COMMISSIONER FOR PROGRAMS AND POLICY, SOCIAL SECURITY ADMINISTRATION

INTRODUCTION

Mr. Chairman, I am happy to be here today to discuss your bill. S. 900, which is designed, among other things, to improve the protection women have under the Social Security program. As you know, this administration is committed to assuring that the interests of women are adequately addressed under all the Federal programs which affect them.

Since the early years of the Social Security program, there has been interest in improving protection for women and this is a continuing interest that we share. Over the past 35 years, benefits have been added for various categories of women, including disabled widows, divorced wives and surviving divorced wives. And benefit amounts—including those for benefit categories that include a high proportion of women—have been substantially increased.

Nevertheless, there remains a serious question whether the Social Security system is as fair and as responsive as it might be in dealing with the multifacted lives of women—especially those who shift between homemaking and paid work.

Many of the problems women encounter under the system arise because of changes in demographic, economic and social trends affecting American families, such as the increasing labor force participation rates of women, especially married women, and the increased likelihood of divorce. The system which was set up in the 1930's of providing primary benefits for workers with auxiliary benefits for their spouses paralleled the society as it was at that time. That is, people were generally either lifelong workers or lifelong homemakers.

Today, however, many women are unpaid homemakers for part of their lives and paid workers for part of their lives, and many of them think that the current Social Security system does not adequately take account of the split nature of their worklives. The provisions of S. 960 which relate to Social Security are, of course, directly related to this issue; the provisions would affect benefits for women who have worked both in the home and in the paid labor force.

The Social Security system was designed to provide basic retirement income and not to meet the full needs of workers' families. Nevertheless as social trends have changed, the perception of the way Social Security meets its basic goal has also changed. I would note, however, that the ways these changes affect Social Security are complex and require careful study before efforts may be made to reflect them in statute.

OTHER EFFORTS TO DEAL WITH THE ISSUES

Over the past 10 years or so, there has been increasing focus on this issue and the many related issues regarding the treatment of women under Social Security. Several high-level groups, both within and outside government, have attempted to deal with some of the specific problems and with the broad issues raised by evolving career patterns—including both paid and non-paid work—of women. There have also been specific legislative changes that have addressed some of these concerns.

The recently enacted Social Security Amendments—Public Law 98-21—contained several provisions that improve benefits for widows and surviving divorced wives. Under these amendments, benefits for disabled widows and widowers age 50-60 were increased to 71.5 percent of the worker's full benefit. (Under prior law such benefits could have been as little as 50 percent of the worker's full benefit.) The method of computing benefits for widows and widowers whose spouses died before retirement was changed in order to provide a benefit that reflects the standard of living closer to the time the widow or widower reaches retirement age. Another change allows divorced spouses to receive benefits based on the earnings of a former spouse who is eligible for retirement benefits regardless of whether the former spouse has applied for or is receiving benefits. Yet another change eliminates the adverse affects that certain marriages or remarriages had on disabled widow benefit rights. And, finally, widows and widowers claiming reduced benefits are allowed under the new law to claim a month's retroactive benefit to assure that they will not lose benefits because their spouses died late in a month, making it difficult for them to file on time.

In addition, those amendments eliminated most of the remaining explicit gender-based distinctions in the Social Security program. In the 1950's and 1960's there are some moves in this direction, and there were significant court decisions over the past decade to further remove such distinctions. With the passage this year of the provisions eliminating eight gender-based distinctions, nearly all such distinctions have been eliminated.

Nevertheless, even with these changes, there remain basic questions concerning the treatment of people who divide their careers between paid employment and homemaking. And there is continuing concern that there is a high proportion of women among the Social Security beneficiaries who are least well off financially. There does not, however, seem to be any agreement on the specific steps that should be taken to change the current system. Unfortunately, the complexity of the law makes the issue very difficult, and there is no easy solution. Proposals that address the concerns of one group can either be very costly or can exacerbate concerns of another group.

Several Advisory Councils and other advisory boards have looked at the issues, and several governmental studies of the issues have been completed. Although, as I noted earlier, improved benefits for many widows and divorced spouses were included in the Social Security Amendments of 1983, no consensus has developed for further incremental changes or for more basic revisions in the program.

We are currently undertaking a study of proposals to deal with the treatment of women under Social Security, which was mandated by the 1983 amendments. A report is due to Congress by July 1984. The legislation requires a study of the implementation of various earnings sharing proposals. These proposals could fundamentally alter the way Social Security protection is provided for homemakers or for persons who alternate between homemaking and paid employment. As our work on this study moves forward, we will certainly keep the subcommittee informed of our progress and consult with you on areas of particular interest. Through these cooperative efforts, I believe that, when the study is complete, both we and the Congress will be in a better position to review a wide range of possible ways that could improve the Social Security system to take account of current and future socio-economic conditions.

This concludes my prepared testimony. I will be happy to answer any questions.

Senator ARMSTRONG. As a matter of fact, I do have a question or two that I would like to ask you to comment on. In your statement you make the point that there is a distinction or a difference in life style between the role of women today and that that prevailed in the 1930's. Could you comment on how that life style difference is reflected or what changes you would foresee may yet be needed in the social security system to reflect these changes, these role changes?

Mr. ENOFF. Well, I think, Mr. Chairman, as we indicated in the testimony, the issues that you are dealing with here—the pattern of the homemaker who is in the home and out of the home—is a primary issue as is the child care issue. That is these issues concern a person who is out of the work force for a period of time for child care.

We see an increasing trend, of course, in women who are receiving benefits on their own account as workers rather than as spouses. But whether that trend will change significantly or not remains to be seen. This, of course, tends to alleviate some of the problems.

Senator ARMSTRONG. I'm not asking you particularly to prejudge the results of the study that you are not going to report for a year, but at the same time you appreciate that to postpone action on this legislation until July 1984 really means to postpone it probably until 1985 or beyond as a practical matter. And so I am just wondering if you can say are there other issues that you expect to address in the study beyond the child care years and the other matters that are in this bill? Are there some other topics that you are looking at in the study that has to do with this same range of subjects?

Mr. ENOFF. I think so. We are talking about the whole area of earnings sharing, and the context from one, I guess, extreme to another, if you will, in terms of proposals that have been made. As a matter of fact, we have begun to gather information from the Congressional Budget Office and from the various committees and will be receiving input from the interest groups who have interest in these areas so we would include the whole range of ideas. How one affects another is sometimes difficult to determine until we go through, as I indicated, the very complex law. And the effects are sometimes difficult to predetermine.

So I think there will be related issues. I would not want to guess whether there would be a proposal that would differ from this or not.

Senator ARMSTRONG. All right. Fair enough. What are the demographers telling you about the future role of women over the next 25 or 30 years? Anything we do today will have effects that will have very long-term consequences, even beyond 25 or 30 years. What are your people telling you?

In fact, if I could even broaden the question a little. Do you sit down around at the Social Security Administration and have brainstorming sessions in which you say, in effect, what will life be like in America in the year 2020 and what will the working role be of men and women and children and so on? I guess somebody is doing that.

Mr. ENOFF. Well, yes. What we do, Mr. Chairman, is we try to take advantage of all of those governmental and nongovernmental organizations that do such projections. And our actuaries, of course, take this into account when we cost out current proposals such as the one we consider here today. We try to take into consideration the longevity rate, the fact that there is increasing longevity rate for both men and women. And as I indicated earlier, the tendency to have more women receiving benefits on their own account rather than on their spouses record—now that trend appears to be continuing. Just how far it will go, it is hard to say.

Senator ARMSTRONG. What do you think it is likely to be 25 years out? You just project a straight line continuation of the trend, or do you have any basis to make a judgment on?

Mr. ENOFF. We have projected that people receiving only a wife's benefit—that is, a person who has no benefits of their own from their own work—will decline from 49 percent now to 33 percent in *the year 2000. And by the year 2040 to 15 percent.*

Senator ARMSTRONG. To 15 percent in the year 2040?

Mr. ENOFF. Yes.

Senator ARMSTRONG. What level of confidence do you have in those projections? I don't want to put you on the spot. I'm really curious.

Mr. ENOFF. I would have to supply that for the record. I really can't say.

Senator ARMSTRONG. Well, I really wasn't particularly interested in knowing what the range is for two standard deviations in a statistical sense. I was just interested to know how do you feel about it. Do you and your people feel that you've got a good idea of what the future holds in that respect or are you really shooting in the dark?

Mr. ENOFF. Well, the pattern over the last 30 years seems to have been a clear increase. There is nothing that would cause us to think that it is going to change dramatically.

Senator ARMSTRONG. So it's mostly a question in your opinion of the degree of the trend. You don't see any signs of a reversal?

Mr. ENOFF. We haven't seen any. And as I say, we use the projections of others rather than ourselves. We use the Census Bureau and other studies and projections as well as private sector. But the trend appears to be toward both members of a couple working, and getting benefits on their own.

Senator ARMSTRONG. All right. Well, I thank you very much. I appreciate your testimony. And we will look forward to keeping in touch with you over the next several months.

Mr. ENOFF. My pleasure, Mr. Chairman.

Senator ARMSTRONG. It's my hope and my expectation that by the time the report is out that we will at least have made some progress on this bill. Victor Hugo said, you know, that greater than the tread of a mighty army is an idea whose time has come. My hope is that at least some parts of this bill fits that category. But I expect there will still be some loose ends when your report comes out in July 1984.

Mr. ENOFF. I think we will still have something to deal with.

Senator ARMSTRONG. Thank you very much.

The committee is very pleased to welcome next Mrs. Phyllis Schlafly, president of the Eagle Forum of Alton, Ill., and, as the committee well knows, one of the foremost spokesmen on public policy issues in America today—particularly the issues which are addressed in this legislation. And I should acknowledge that, indeed, a number of the ideas which are rendered in statutory form in this legislation, in fact, originally were presented by Mrs. Schlafly. So we are especially glad to have your testimony. We are glad to have you here. And we are looking forward to your statement.

STATEMENT OF PHYLLIS SCHLAFLY, PRESIDENT, EAGLE FORUM, ALTON, ILL.

Mrs. SCHLAFLY. Thank you very much, Mr. Chairman. As you said, my name is Phyllis Schlafly. I'm president of Eagle Forum, a national profamily organization made up of men and of women who for the most part are either career homemakers or nonfeminist career women. One of our goals is to protect the economic integrity of the family.

We applaud Senator Armstrong for the introduction of this bill, S. 960, which states that women should have an economically realistic choice between being a career homemaker and being in the paid labor force, and that Federal law and programs should not include incentives or disincentives to induce women to make particular career choices or to discourage them for choosing others.

Section 201 of this bill is designed to remedy a policy provision in the present income tax law which operates as a powerful Federal incentive to induce women to abandon the role of career homemaker and to choose employment in the paid labor force. I refer to the blatant discrimination in the present Income Tax Code which gives generous financial retirement benefits to women who work in the paid labor force, but denies equal benefits to women who work in the home.

The woman who works in the home will surely grow old and need income in her senior years just as surely as the woman in the paid labor force. So why should she be punished for her career choice? Why should Federal tax disincentives discourage her from choosing a homemaking career? Why should massive tax benefits be given to the woman in the work force but denied to the woman working in the home?

We are talking about the individual retirement accounts [IRA's], and they amount to big money in the American economy. Last year, some $18 billion moved into IRA's because of their tremendous tax benefits. The career homemaker was denied about 90 percent of those benefits.

If both the husband and wife are wage earners, they can put a total of $4,000 into IRA's. But if only the husband is a wage earner and his wife is a traditional career homemaker, the couple is limited to an IRA total for both of them of only $2,250. This is a financial discrimination against career homemakers of $1,750 per year, plus all the tax sheltered income which that produces for the rest of their lives until they retire. Over 20 to 30 years, the traditional homemaker will pay a terrible price for her choice of career.

In the weeks just before income tax day on April 15, when local banks were aggressively advertising for IRA moneys, some banks calculated that the failure to take advantage of a full $2,000 IRA this year would amount to a loss of $35,000 by the time you retire, compounded at present interest rate.

I find it hard to understand how such a discrimination against career homemakers ever got into the income tax law. Is it because some people believe that career homemakers are nonworkers and, therefore, don't deserve the retirement benefits given to wage earning wives? Indeed, many of the bank advertisements run in March and April of this year tactlessly referred to the nonworking spouse.

Is this discrimination in the tax law because some believe career homemakers' work should not be recognized because they are not paid in cash wages? And, therefore, their work has no economic value? Is it part of a design to provide a powerful incentive to induce all wives to move out of the home and into the paid labor force? Is it because some people think it is politically safe to discriminate against career homemakers because they are not as politically organized as wage earning wives?

In any event, the present tax law is unjust and discriminatory against the life style chosen by millions of women. It has the effect of inducing the wife to enter the paid labor force because she knows that the first $2,000 she earns can be totally tax free. In these days of high unemployment, it is difficult to justify a policy which lures women out of the home and into the paid labor force through financial benefits above and beyond the wages they will be earning.

The American income tax system absolutely depends on the public perceiving it as fair; and the IRA discrimination against career homemakers is massively unfair. Therefore, we are glad to support this bill to give equal financial benefits to career homemakers as a matter of simple justice. We urge its speedy enactment.

Section 301 of this bill prohibits the use of Federal funds under the General Education Provisions Act to discourage the pursuit of full-time homemaking as a career. It seems obvious that the Federal Government should not be in the business of encouraging or discouraging women to choose one career over another.

Section 401 would bring the laws governing Federal contractors into conformance with the Fair Labor Standards Act. It simply allows more flexibility in choosing different schedules for working a 40 hour week before overtime pay regulations go into effect.

Section 501 is designed to help a particular group of women who are the victims of divorce and who do not remarry. Section 502 is designed to respect the different career choices made by a woman and to prevent her from being unfairly disadvantaged by exercising her choice to care for her children under age 5.

Let me say, Mr. Chairman, that I believe the social security system for more than 40 years is a perfect example of a law which is noncoercive in the matter of a woman choosing her career. It was beautifully designed to give benefits both to the full-time career homemaker and to the woman who chooses to be in the paid labor force. In other words, the woman in the labor force is treated in social security exactly like the working man. But the Social Security system does recognize that millions or most of the women in this country have chosen to be homemakers. I feel that this law is beautifully noncoercive and is in harmony with the thrust of this Women's Career Choice Equity Act Women's Career Choice Equity Act.

So, Mr. Chairman, we thank you for the introduction of this bill, and for your effort to recognize the different roles that women assume in our society.

Senator ARMSTRONG. We thank you very much for your testimony.

[The prepared statement of Mrs. Schlafly follows:]

TESTIMONY OF PHYLLIS SCHLAFLY

TO THE SOCIAL SECURITY AND INCOME MAINTENANCE SUBCOMMITTEE

OF THE SENATE FINANCE COMMITTEE

JULY 28, 1983

Mr. Chairman and members of the Subcommittee. My name is Phyllis Schlafly. I am the president of Eagle Forum, a national pro-family organization made up of men, and of women who for the most part are either career homemakers or non-feminist career women. One of our goals is to protect the economic integrity of the family.

We applaud Senator Armstrong for the introduction of this bill, S. 960, which states that women should have "an economically realistic choice between being a career homemaker and being in the paid labor force," and that "Federal law and programs should not include incentives or disincentives to induce women to make particular career choices or to discourage them from choosing others."

Section 201 of this bill is designed to remedy a policy provision in the present income tax law which operates as a powerful Federal incentive to induce women to abandon the role of career homemaker and to choose employment in the paid labor force. I refer to the blatant discrimination in the present income tax code which gives generous financial retirement benefits to women who work in the paid labor force but denies equal benefits to women who work in the home.

The woman who works in the home will grow old and need income in her senior years just as surely as the woman in the paid labor force. So why should she be punished for her career choice? Why should Federal tax disincentives discourage her from choosing a homemaking career? Why should massive tax benefits be given to the woman in the work force but denied to the woman working in the home?

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If both the husband and wife are wage-earners, they can put a total of $4,000 per year into IRAs. But if only the husband is a wage-earner and his wife is a traditional career homemaker, the couple is limited to an IRA total for both of them of only $2,250. This is a financial discrimination against career homemakers of $1,750 per year, plus all the tax-sheltered income which that produces for the rest of their lives until they retire. Over 20 to 30 years, the traditional homemaker will pay a terrible price for her choice of career.

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I find it hard to understand how such a discrimination against career homemakers ever got into the income tax law. Is it because some people believe that career homemakers are "non-workers" and therefore don't deserve the retirement benefits given to wage-earning wives? (Indeed, many of the bank advertisements run in March and April of this year tactlessly referred to the "non-working spouse.")

Is this discrimination in the tax law because some believe that the career homemakers' work should <u>not</u> be recognized because they are not paid in cash wages, and therefore their work has no economic value? Is it part of a design to provide a powerful incentive to induce all wives to move out of the home and into the paid labor force? Is it because some people think it is politically safe to discriminate

against career homemakers because they are not as politically organized as wage-earning wives?

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The American income tax system absolutely depends on the public perceiving it as fair; and the IRA discrimination against career homemakers is massively unfair. Therefore, we are glad to support this bill to give equal financial benefits to career homemakers as a matter of simple justice. We urge its speedy enactment.

Section 301 of this bill prohibits the use of Federal funds under the General Education Provisions Act to discourage the pursuit of fulltime homemaking as a career. It seems obvious that the Federal Government should not be in the business of encouraging or discouraging women to choose one career over another.

Section 401 would bring the laws governing Federal contractors into conformance with the Fair Labor Standards Act. It simply allows more flexibility in choosing different schedules for working a 40-hour week before overtime pay regulations go into effect.

Section 501 is designed to help a particular group of women who are the victims of divorce and who do not remarry. Section 502 is designed to respect the different career choices made by a woman and to prevent her from being unfairly disadvantaged by exercising her choice to care for her children under age five.

Mr. Chairman, we thank you for the introduction of this Women's Career Choice bill and for your effort to recognize the different roles that women assume in our society.

Senator ARMSTRONG. The Treasury Department is not going to testify today on the IRA provision. They are going to testify next week. And I'm told that they are in the process of reflecting as to what the position of the administration should be on this particular matter. I hope that they carefully review your observations prior to their decision.

I have a horrible premonition, however, that they may not be as favorably disposed toward that particular provision as you and I are. Not on the grounds of justice, but simply because it is going to cost something. And I think their position for the moment is that we can't afford it.

Mrs. SCHLAFLY. May I answer that, Mr. Chairman?

Senator ARMSTRONG. Well, I would be glad to have your comments on it.

Mrs. SCHLAFLY. Of course, none of us likes to pay taxes. We all wish taxes could be lowered. But as I mentioned, the whole income tax system, which is a system of voluntary assessment—you figure out what your own tax is and file your return—is based on the public perceiving it as fair. Whatever the tax level is, whatever the restrictions are, we like to think they are fair. If it is felt that this proposal is too costly, it does seem to me that, as a matter of fairness and justice, we should treat the career homemaker equally with the woman in the labor force. If it is necessary to fund the homemaker's IRA without raising taxes, it seems to me still it would be fair to make the level equal for everybody in the IRA's.

Senator ARMSTRONG. I share that general feeling. And I was only going to observe that sometimes Congress overrules the administration and passes legislation notwithstanding the recommendations of the Treasury. In fact, that appears to be the case on the bill we have just voted on a few moments ago on the floor on the withholding provision. And my hope is that if the Treasury does feel that they have to oppose this that they shall do so in a relatively dispassionate manner.

I really do think that the issue is fairness. And I compliment you for making that issue very clearly.

I'd like to turn to a couple of other questions that are of a broader philosophical tone, and also I would like to refer, at least briefly, in a few minutes to your comments on sections 301 and 501 of the bill. But before I do that, let me go back to your opening remarks about the economic integrity of the family.

You made the point that the goals of your organization are to protect the economic integrity of the family, and to preserve women's career choices. Is this a symbolic issue or are we really dealing with a problem that affects a lot of families and a lot of women in their day-to-day lives? In other words, are we arguing about an abstraction or are there really a great many cases where people are directly affected?

Mrs. SCHLAFLY. I think that the economic attack on the family unit has been the most serious of the many attacks on the family in recent years. I would put inflation at the top of the list as an attack on the family. It is inflation that has driven millions of women to seek employment in the paid labor force rather than caring for their preschool children. And I would hope that, with the virtual elimination of massive inflation, which President

Reagan has accomplished in the last few years, we will find that there are more and more women who are willing to make the sacrifices necessary to care for their own preschool children. At least we want to make that a viable economic option for them.

Senator ARMSTRONG. What would you say to someone who looked at this bill and said that it's discriminatory against working women in the sense that—that is, working women in the paid labor force—in that it permits someone who is not in the paid labor force nonetheless to take a tax benefit? How would you answer such a criticism?

Mrs. SCHLAFLY. Well, that is the type of person who has been telling us for the last few years that the homemaker who works in the home is an economic cipher, and is some kind of a nonperson because she is not paid in cash wages. As a matter of fact, it's her husband's paycheck that is her paycheck. And she is a real person. His paycheck has to be perceived as one-half her paycheck. That is why at the State level we support community property laws, which I feel are a recognition of the true economic partnership of a husband and wife. The notion of treating the wife as though she were an economic nonentity because she is not paid in cash wages, I think, is an unfair and discriminatory putdown of the worth and value of the full-time homemaker. She is recognized in the joint income tax return. And I feel she should have the same type of recognition in the IRA's.

Senator ARMSTRONG. In your prepared statement you refer to section 301 of the bill, which prohibits the use of Federal funds under the General Education Provisions Act, to discourage the pursuit of full-time homemaking as a career. You and I have discussed this matter on some previous occasions, but for the record so that we do have your thoughts on this clearly and in perspective, is this a prevalent problem? Is it something that is really influential and is changing public opinion? And what's the rationale for this suggestion, which I have included here? Tell us what's behind that.

Mrs. SCHLAFLY. Yes, it is a real problem. There is something called the Center for Vocational Education, which operates at Ohio State University in Columbus, Ohio. This center is putting out career guidance materials, federally funded, all the time. These materials are filled with all kinds of social engineering materials which are leading young girls, especially at the high school and junior high school level, into believing that the role of full-time homemakers is the least fulfilling of any occupation that women can possibly choose. Homemaking is never discussed as a viable career option for women. The federally funded materials are full of all this, what I would call, feminist propaganda about the changing roles of women, and of guidance inducements to bring about role reversals to induce women to choose nontraditional occupations rather than the traditional homemaking role.

I personally support a young woman's freedom of choice to choose any career she wants. But I don't believe that our tax money should be used to put down the role that the majority of women in this country have chosen.

Senator ARMSTRONG. When you say "put down," does this material actively criticize this role or does it simply ignore it?

Mrs. SCHLAFLY. Much of it simply ignores it. Homemaking is not offered as an option. But where it is mentioned, it is as though nobody would choose that career unless you didn't have the skills to use something else; it's the bottom of the barrel.

Senator ARMSTRONG. It would be helpful, if it would be convenient, for you to furnish us some samples of that. I think it would be useful for us to have that to incorporate with the record of this hearing.

Mrs. SCHLAFLY. I will be happy to provide you with a list of the materials which have this objection.

Senator ARMSTRONG. I think that would be very helpful.

[The information from Mrs. Schlafly follows:]

SUPPLEMENTARY DOCUMENTATION

to the

TESTIMONY OF PHYLLIS SCHLAFLY

before the

SENATE FINANCE COMMITTEE

SUBCOMMITTEE ON SOCIAL SECURITY AND
INCOME MAINTENANCE PROGRAMS

WOMEN'S CAREER CHOICE EQUITY HEARING
S. 960

JULY 28, 1983

The preceeding paragraphs point out some of the explict ways in which federally funded and federally distributed career education materials portray a negative attitude towards a young woman's choice of mother and homemaker as a primary career role. A review of these and the many other similar documents reveals a more general problem: homemaking is usually ignored as a career option. Today one can still find career education materials which reflect the different responsibilities assigned to husbands and wives in the family laws of most of our 50 states. However, recent Federal publications admonish that the goal of career education materials should be to "welcome both boys and girls, provide equal role models for both, and make no assumptions about who has sole responsibility for home and child care."[7]

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3. Ibid.

4. "Avoiding Yesterdays Stereotypes in Today's Career Education", Occupational Outlook Quarterly, Fall 1981 U.S. Dept. of Labor Washington, D.C., p.16

5. Professional Development Programs for Sex Equity in Vocational Education, National Center for Research in Vocational Education, The Ohio State University, Columbus, Ohio, 1979, p.6

6. Sex Equity Strategies (2nd Edition), The National Center for Research in Vocational Education, The Ohio State University, Columbus, Ohio, 1980, p.17 (Research and Development Series No. 144)

7. "Avoiding Yesterday's Stereotypes...". op. cit., p.20

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The U.S. government budgets millions annually towards the objective of achieving "sex fairness" in vocational education. However, many of the materials produced with this Federal money are unfair to young women who may wish to become homemakers. These materials are not merely cleaned up to eliminate prejudice against the female sex, now "sex fairness" is taken to require the elimination of "sexism" which is defined to include any arbitrary stereotyping of males and females on the basis of gender".[1] These Federally funded publications assert that it is sex bias to "...use photographs and illustrations showing women and men in traditional occupational roles." [2] In particular, it is said to be biased if "...women are typically portrayed at home." [3]

Researchers have found that "...an unbiased career education curriculum is not enough to break down the stereotypes".[4] When students made traditional role choices in spite of being exposed to"nonstereotypic" materials,our teachers are being told that the "Youngsters still did not feel free to consider the nontraditional options for themselves." and that in this case the "intervention ... was not personalized sufficiently.[5] In the name of sex equity the federally funded and designated National Center for Research in Vocational Education disseminates materials which assert that "The basic socialization forces in our society push women into a highly restricted vision of their role..." and that "schools should be acting to counter the socialization patterns which prevent girls from acquiring the job training that would do them the most good as adults in the labor market." [6] If these federally funded materials are successful girls who make traditional role choices will increasingly be suspected of having a "restricted vision of their role" and may be rewarded with "personalized interventions".

Senator ARMSTRONG. Could we also focus for a moment on section 501? And 502. But first 501. It relates to the problem of divorced spouses who do not remarry. And who don't have enough opportunity in the years following their divorce—that is, enough years left when they reenter the work force to really compile a satisfactory earnings record for social security purposes.

Again, I would like to ask this. Through the organization of which you are the president or in some other way, have you become aware that this is a widespread problem or are we, again, addressing primarily a theoretical concern?

Mrs. SCHLAFLY. It is a problem for those women for whom it is a problem. The majority of women who are divorced remarry. But for those women who don't, it is a real problem. And this is an expensive program. The only reason it isn't more expensive is because there are not so many women who fit in this category. This is a problem which is caused by the easy divorce laws that have come about in our country over the last 10 years, plus the rather successful feminist campaign to eliminate alimony.

For some reason, the feminist movement thought that easy divorce and the elimination of alimony would be good moves to show the emancipation of women from traditional or obsolete stereotypes. Alimony was really a payment of the ex-husband to the ex-wife to make up for her devoting those years to the home during which time she was not able to build up seniority in a career. But the feminist movement has virtually eliminated alimony as something that happens. In our country today if any woman gets it, it is probably for an average of only 18 months.

So we have the problem left. And I don't know whether this is the best solution, or whether there is a more cost effective way to do it, or whether this particular provision could be compromised in terms of the actual figures. But it is a problem for a small class of women.

Senator ARMSTRONG. Your notion is that it is just something that we have got to deal with because it affects these people in an unfair way? I don't mean to put words in your mouth, but that's what I have gained from what you have said.

Mrs. SCHLAFLY. Yes, that's right. I think there are some injustices which are due to other causes outside of the social security system. Now social security cannot be seen as the remedy for all social problems, but I think we should address the problem raised by that issue.

Senator ARMSTRONG. I'd like to close by asking the same question that I asked the representative of the Social Security Administration a moment ago. And that's this question about the changing demography of the country and of the work forces. Obviously, America was a very different country in 1935 than it is today. And the composition of the work force was quite different. The vocational roles of men and women were understood in a different context in 1935 than they are today. The witness who immediately preceded you outlined some trends. Basically, a growing participation by the women in the paid work force, which so far as he is able to ascertain are likely to continue into the indefinite future. I think he said that by the year 2040, the number of women who would qualify for spouse's benefits as opposed to their own would be very

small, reflecting this rise in participation rate. What do you think about that? Is that trend likely to continue? Or do you have any basis to really know about it? Is that a trend you would like to see continue? I guess what I am really asking you is do you have a crystal ball.

Mrs. SCHLAFLY. I don't have a crystal ball, and predicting the future can be very difficult. If we predicted a continuing decline in the birth rate at the same level that we have had it in the last few years, by the year 2000 we almost wouldn't be having any babies at all. And I don't think that is apt to happen.

I believe that the biggest factor in this phenomenon of women moving into the work force has been inflation. Now with inflation virtually licked, which we have seen happen under the Reagan administration, there may be a leveling off of that movement. We are now beginning to see many scientific studies to show the need and value of child care in the home and the value of delaying putting children in school. We didn't have studies like that until recent years because it was assumed that babies needed mothers. Now we are just starting to have scientific research in those areas. So I would not want to predict what is going to happen. But I do believe that, while the demographics have changed over the last decade, the social security system was beautifully designed for the two types of woman, and the working woman gets exactly the same as the working man. But the social security system should also provide for the dependent wife because she is the most important person to the social security system financially. The dependent wife, usually, on the average, has more children than the woman in the work force. And social security is absolutely dependent on the next generation since it is a pay-as-you-go system.

The woman who has brought up six children has done more financially for the system than the woman or man who has paid taxes all her life. I feel that the social security system as now constituted is in harmony with the noncoercive goals of the Women's Career Choice Equity Act. That is not to say there are not some problems.

Now I might point out in connection with section 502 in this matter of putting in a couple of child care years——

Senator ARMSTRONG. That was actually approved by the Senate this year, and then got dropped in the conference committee for reasons that I don't understand. But the Senate actually approved some action on this score.

Mrs. SCHLAFLY. Yes. And I understand you also had a funding mechanism for it too. But that theory, that proposal, could be funded at no cost at all by going back to the way social security originally was. The idea of putting in 5 zero years for everybody was simply a way to pay out more money for no particular good reason. And if you handled Social Security——

Senator ARMSTRONG. People who get it think it's a wonderful reason.

Mrs. SCHLAFLY. That's correct. But it was costly.

Senator ARMSTRONG. Yes.

Mrs. SCHLAFLY. However, in line with the whole notion that everything should be sex neutral, women lost out. The original

system had no dropout years for everyone, but the women got three. So you could fund this proposal at no cost by dropping everybody back to zero, and giving women 2 or 3 dropout years.

Of course, we now have this passion to have everything sex neutral. And I think social security is one of the areas where you see that the woman has really lost out.

Senator ARMSTRONG. Well, you are correct. Certainly in the way the bill is drafted, it is sex neutral. We are assuming for the purposes of this discussion or it's implied in this discussion that in most cases the person who benefits from the additional dropout years in this bill would be the woman. I mean in most cases that probably would be true, although the bill is technically sex neutral. It could be the husband who might drop out for 2 years for child-care reasons. And if we did not write it in that way, it's doubtful in my opinion that it would be approved by the courts if challenged.

Mrs. SCHLAFLY. That's all right. I have no problem with the sex-neutral language there. I'm merely pointing out that, if anybody says this provision is too costly, the answer is it can be implemented at no cost by dropping everybody back to zero and then giving 2 to 3 years dropout for child-care purposes only.

Senator ARMSTRONG. I appreciate that very much. And I really do appreciate your testimony. I want to acknowledge again my appreciation for bringing the issues that are addressed in this bill to my attention, and thereby to the attention of this committee and the Senate. You have been so often identified with a particular issue, which fortunately is not the subject of a hearing before this committee today, that I am especially glad to have a chance to get your thoughts in some detail on some issues that at least in the public's mind you have not been as well identified with.

Mrs. SCHLAFLY. Thank you, Mr. Chairman.

Senator ARMSTRONG. I compliment you for your concern and for taking the initiative to raise these questions that have led to this legislation.

Thank you very much.

Mrs. SCHLAFLY. Thank you, Mr. Chairman.

Senator ARMSTRONG. The committee is very pleased now to welcome another old friend, James Hacking, who is here on behalf of the American Association of Retired Persons, and has often worked with the committee on a variety of subjects of interest to his constituency, which so happens, has a lot of legislative business before this subcommittee and before the Senate Finance Committee.

Mr. Hacking, we are glad to have you here. And we are delighted that you are accompanied by Lauri Fiori who has also been of extraordinary assistance to this committee on a lot of occasions over a long period of time. We are eager to have your testimony. Please proceed.

STATEMENT OF JAMES HACKING, ASSISTANT LEGISLATIVE COUNSEL, AMERICAN ASSOCIATION OF RETIRED PERSONS, WASHINGTON, D.C.

Mr. HACKING. Thank you, Mr. Chairman. We are representing the 14,700,000-member American Association of Retired Persons.

With your permission, I will submit the association's statement for the record, and summarize.

Senator ARMSTRONG. Be very happy if you would do that.

[The prepared statement of James M. Hacking follows:]

AMERICAN
ASSOCIATION
OF RETIRED
PERSONS

STATEMENT

of the

AMERICAN ASSOCIATION OF RETIRED PERSONS

before the

SENATE FINANCE COMMITTEE

SUBCOMMITTEE ON SOCIAL SECURITY AND
INCOME MAINTENANCE PROGRAMS

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INTRODUCTION

The role of women in nearly all aspects of American life including the home and workplace has undergone dramatic and rapid change in the recent past. As a result of this change, government policies -- particularly in the social security program -- that were designed in the past to address the problems of women and treat them equitably have become increasingly outdated and have resulted in mounting inequities and inadequacies.

The Association compliments the Chairman for holding these hearings and for attempting to promote debate on these important issues. In recognition of these trends and the current poor economic status of older women, the Association has attempted to advocate policies that will improve -- or at least prevent a deterioration in -- the living standards of today's older women as well as prevent the same problems from developing for future generations of older women.

PROFILE OF OLDER WOMEN

A brief demographic and income profile of today's older women would prove helpful to any discussion of how to change social security now or in the future. First, it must be pointed out that women represent a majority (60%) of the age 65+ population, partially due to their longer life span. The majority of older women are widows and are most likely to live alone. And probably most important, older women have considerably lower incomes than the population in general and suffer one of the highest poverty rates. For example, in 1981, while the poverty rate for older persons 65+ was 15.3%, the poverty rate for older women was 18.6%. Poverty rates among single older women who are social security recipients are particularly elevated. According to 1981 statistics, single women age 65-71 suffer a poverty rate of 27.6% while single women age 72+ have an even higher poverty rate of 31.7%.

So many of the elderly -- 85% of them women -- are clustered just above the poverty threshold that relatively small drops in income will cause poverty rates to escalate dramatically. Among single social security recipients age 65+, roughly 1.3 million persons had incomes in 1981 between $4,400 and $5,500, within $1,000 of the official poverty threshold. Of these 1.3 million elderly persons, about 1.1 million were women. These persons, while not officially defined as "poor", have incomes low enough to put them at risk of becoming officially poor should substantial cuts in federal income support program occur.

Census Bureau statistics also indicate that social security is the major source of income for the low-income, older women population. In 1981, social security represented 85-95% of the total income of single women below the poverty line; for all income classes of older single women, social security represented 65-75% of their total income, whereas the average dependency rate for the entire aged social security population was 58%.

Due to this high degree of dependence on social security among the older women population, indiscriminate, across-the-board cuts in social security, like COLA cuts will increase poverty rates for older women. For example, according to a 1982 study by Data Resources Inc. the proposal to freeze COLA's in 1982 and thereafter base the increase on Consumer Price Index (CPI) minus 3% would have pushed 1.2 million additional elderly into poverty by 1985 and an additional 2.1 million by 1990 -- with nearly half of the newly impoverished group being single women. By 1990, the expected poverty rate for women age 72+ is 26.1% (assuming no benefit cuts); with the COLA freeze/CPI minus 3% proposal, it would have been 38.6% (almost 50% higher) by 1990.

Given the precarious nature of older women's income status and their heavy reliance on social security, the maintenance of current "real" social security benefit levels is critical to preventing a deterioration in their income status.

SOCIAL SECURITY AND YOUNGER WOMEN

Dramatic changes in social security and family patterns, particularly the work and social patterns of younger women, have occurred during the 45 years since the system's inception. These profound changes have begun to cause the system's benefit and financing structures to be increasingly perceived as unfair, particularly by working wives, single workers, and young workers. The combined impact of all these factors we believe dictates significant long-term changes in social security's benefit structure.

When Congress first established social security in the 1930's, it based the system's structure on family life and work patterns as they then existed. Since that time, however, family and work patterns have changed dramatically. Women, both married and unmarried, are pursuing a variety of roles in our society and are increasingly becoming an important part of our labor force. In particular, the decade of the '70s saw an average influx of nearly one million women workers every year until 1979 when about 43 million or 51% of all women age 16+ were in the labor force. Labor force participation rates of married women also advanced to 48% -- a significant change since 1940 when only 14% of married women worked. The most significant increase in labor force participation has been among younger women aged 25 to 34; between 1970 and 1978 their labor force participation advanced sharply from 45% to 62%. Surprisingly, over 70% of women in this age group are married, live with husbands and have dependent children under

age 18 at home. Labor force participation for women with preschool age children was 44% in 1979, compared to only 30% in 1970.

Unfortunately, social security has not been able to accommodate easily these changes since the system does not judge women (or men) solely on their work status, but also considers their family status. For instance, wives, whether they work or not, are automatically considered dependents of their husbands and thereby entitled to benefits; whereas a single women must work to gain entitlement to a social security benefit.

The inability of social security to progress with the changing times is resulting in a number of problems which largely fall into two categories -- benefit inadequacy and benefit inequity. Widowed homemakers who have little or no work history of their own often experience a severe drop in income with the death of the working spouse. Similar benefit inadequacies occur when a lifelong homemaker's marriage ends in divorce finding herself without sufficient financial support and without the job skills necessary to provide for herself through her own work effort.

Problems of benefit inequity are also apparent. Many working wives find that the social security protection to which they contributed over their working years is really of little or no benefit to them when they retire. This situation occurs because the working spouse's earned social security protection usually duplicates, rather than adds to, the protection she earns as a non-working, dependent spouse.

Two-earner couples also suffer from benefit inequities. Total benefits for a one-earner couple are sometimes higher than total benefits for a two-earner couple even though the total family earnings for each couple are the same.

Single workers are also somewhat penalized by the current benefit structure because their social security contributions usually insure benefit protection only for themselves. A married worker contributing the same amount to the system as a single worker is able to receive greater protection because benefits are payable to dependents.

COMPREHENSIVE REFORM OPTIONS

The Association has attempted to develop long-term policies to address these dual problems of benefit inequity and benefit inadequacy. Our recommendations are complex, but briefly stated we believe that the system's individual equity elements should be strengthened so that every worker -- man or women, husband or wife -- gets a benefit more closely related to his/her prior earnings/contributions. This earnings replacement or "pension" element of social security is appropriately financed by the payroll tax. This type of reform would help correct the benefit inequity problems of single vs. married individuals and one-earner vs. two-earner couples.

With respect to benefit inadequacies, a special benefit structure within the social security system should be developed and used to address these problems. This program should be designed to provide adequate minimum benefit protection that

is specifically targeted on the low-income population and financed by general tax revenues, rather than payroll taxes. Low social security benefit levels of widowed spouses, for example, could be substantially bolstered by higher benefit levels provided under this minimum income guarantee program.

In the future, should healthy economic growth rates such as those the nation enjoyed in the 1950's and 1960's fail to resume or should the cost pressues that will accompany the aging of the post-war baby boom population prove more difficult to deal with then is presently anticipated, a social security system restructured along the lines we have indicated would at least allow future policymakers to make coherent and rational choices regarding the allocation of scarce resources. The Congress would be better able to target benefits on the more economically disadvantaged segment of the elderly population, which is likely to include -- as it does now -- substantial numbers of older women, without providing unintended windfalls to the more affluent. This is something that is virtually impossible to do under social security's current structure.

A number of other comprehensive reform proposals, in particular earnings-sharing plans, have been advanced over the past few years to alleviate these benefit inadequacy and inequity problems. Many of these proposals have two points in common. First, they attempt to deal with the multiple problems and sometime conflicting goals of benefit adequacy and benefit equity by using basically one social

security benefit structure and one financing source (payroll taxes); second, in attempting to address benefit inequities or inadequacies for one group of beneficiaries in a way that does not add substantially to the long-term costs of the program, these proposals can end up creating new inequities or inadequacies for other groups.

INCREMENTAL REFORM OPTIONS

During deliberations over the last two major pieces of social security legislation (1977 and 1983), Congress has shown an inclination to deal with the benefit problems for women in an incremental manner. For example, the 1977 law reduced the duration of marriage requirement from 20 to 10 years for divorced spouse's benefits. It also provided that remarriage after age 60 would not reduce benefits paid to widow(er)s. The 1983 Amendments took similar significant steps by improving and raising benefits for disabled widow(er)s, by improving indexing in the benefit computation for aged widow(er)s and by allowing aged divorced spouses to draw benefits whether or not the former spouse has filed for benefits.

Legislation (S. 960) introduced by Chairman Armstrong takes a similar, practical approach to incrementalism and we certainly appreciate and are supportive of the spirit of that approach. Our comments will focus on the two sections (Section 501 and 502) of the bill which relate directly to social security.

Section 501 is aimed at assisting divorced homemakers who tend to have poor employment/earnings prospects. This section would allow up to 10 additional drop-out years in the computation of benefits for the divorced spouse who meets the 10-year duration of the marriage requirement and who does not remarry. One additional drop-out year would be allowed for every year the divorced spouse had been married and had no earnings.

By shortening the period over which earnings must be averaged for this group, Section 501 could significantly raise the benefit which the divorced spouse is able to earn based on his/her own earnings record, and could raise it enough to make the divorced spouse's earned benefit higher than one-half of the former spouse's benefit amount.

Section 501 would clearly be beneficial to divorced or "displaced" homemakers who have few marketable job skills and often must cope with relatively low wage levels. We would point out, however, that widowed homemakers face the same problems, that is, being forced into the labor market with few skills and poor earnings prospects. In the interest of equity, perhaps consideration should be given to broadening the scope of this section to include at least widowed homemakers.

We would also point out that married homemakers who remain at home to care for children and then later enter or re-enter the labor force for the first time also face the problems of being unable to earn sufficiently high wages to earn a benefit based on his/her own work record, rather than their

spouse's. Perhaps inadvertently, Section 501 would treat divorced homemakers who have earnings far more preferentially than married homemakers with earnings. Although correcting benefit inequities for working wives is a complex problem best solved by the type of comprehensive reform we have espoused; the approach of Section 501 is not, and probably cannot be made, neutral to women in a divorced situation and women in a married situation.

Additionally, Section 501 may treat preferentially divorced homemakers who are divorced at young ages relative to older divorced homemakers who have few years (often less than 10 years) to build up an earnings record.

Section 502 of S.960 is another provision potentially benefiting many homemakers. This section would allow a worker (when computing benefits) two additional drop-out years for the caring of young children. These two additional drop-out years would be available for any year the worker is living with a child under age 3 and has no earnings. The effect of this section would be to increase benefits for spouses who leave the work force to care for children. This benefit computation advantage would be available mainly to families with one child or at most two children unless each spouse alternatively shared child care responsibilities.

On the whole, Section 502 attempts to minimize the financial disadvantage built into the social security structure of remaining at home to care for a child. However, as pointed out earlier in this statement, more and more married women with preschool age children are working. The decision to work for them is increasingly one of economic necessity. Yet by choosing to work -- or really by being forced to work to maintain the family's standard of living -- these women would not be able to benefit from the additional drop-out years provided by Section 502. We question whether building in this not-so-subtle inequity for women who are forced to work for economic reasons is really the intent of this provision. We would point out that this same problem is posed with respect to Section 501 since this section would also mainly benefit homemakers financially able to remain at home during the marriage.

Trying to help homemakers who remain at home to care for children and at the same time, not harm the many low-income working women who cannot afford to remain at home is probably unavoidable. This is just another example of a dilemma created by trying to use social security's complex benefit structure to achieve the sometimes conflicting goals of benefit equity and benefit adequacy.

Beyond the difficulties described above, as the Chairman is acutely aware, Section 501 and 502 will add substantially to the long-term costs of social security. In doing so, either taxes will have to be increased or benefits

reduced in order to cope with those increased costs. Furthermore, to the extent these sections add to the program's costs, it will make other desirable reforms -- such as phasing-out the earnings limit to promote older worker effort -- more difficult to achieve.

Despite some of the problems we have cited, we are pleased the Chairman has taken the initiative to propose incremental reforms in social security and spur the debate on some of these controversial issues. In our view, one area ripe for "incremental" reform but frequently overlooked as an important program for older women is the Supplemental Security Income (SSI) program. In December of 1980, two-thirds of all SSI recipients were women; specifically 73% of aged recipients were women, 60% of disabled recipients, and 57% of blind recipients. Therefore, older women have a great deal at stake in what happens to the SSI program.

Although federal SSI payment standards were increased this month (by $20 per month for individuals a $30 for couples), this program still falls far short of alleviating the poverty experienced by millions of elderly poor. About 1.4 million older persons receive SSI, but over 4 million live below the poverty threshold and another 2 million hover just above it. In the future, we hope the Congress will be able to raise SSI payment standards more significantly as well as make some other needed changes in its assets test.

Mr. HACKING. Dramatic changes in the labor force participation and family patterns of women have occurred during the 45 years since social security's inception. When Congress first established the system in the 1930's, it based its benefit structure on family life and work patterns as they then existed. The husband was the breadwinner. The wife tended to be a homemaker and a dependent.

Since that time, however, women, both married and unmarried, have been increasingly pursuing a variety of roles in society and are increasingly becoming an important part of the labor force. By 1979, about 43 million women were in the labor force. That was roughly 51 percent of all women 16 and over.

Even the labor force participation of married women has increased substantially. In 1940, only 14 percent of married women worked. By 1979, that figure was 48 percent.

Among younger women aged 25 to 34, labor force participation advanced sharply from 45 percent in 1970 to 62 percent by 1978. Surprisingly, over 70 percent of women in this age group are married, live with husbands, and have dependent children under the age of 18 at home. Labor force participation for women with preschool-aged children was 44 percent in 1979, compared to only 30 percent in 1970.

Unfortunately, social security's benefit structure has not changed sufficiently to fully accommodate the labor force participation and family pattern changes that have occurred over time. The system continues to judge both women and men not only on their work status, but also on their family status. As a result, problems have arisen. And very often, these problems are problems of equity.

During deliberations over the last two major pieces of social security legislation in 1977 and again in this year, the Congress has shown an inclination to deal with the benefit problems of women in an incremental manner.

Sections 501 and 502 of S. 960 reflect a similar incremental approach. Section 501 is aimed at assisting divorced homemakers who tend to have poor employment and earnings prospects. By shortening the period over which earnings may be averaged, by allowing additional dropout years, section 501 could significantly raise the amount of the benefit which the divorced spouse would receive based on his or her own earnings record. And it could raise it enough to make the divorce spouse's earned benefits higher than one-half of the former spouse's benefit amount.

Section 501 would clearly be beneficial to divorced or displaced homemakers who have few marketable job skills and must often cope with relatively low wage levels. We would point out, however, that widowed homemakers often face the same kind of problem. We would also point out that married homemakers who remain at home to take care of children and then later enter or reenter the labor force for a time also face the problem of being unable to earn a benefit that is higher than the one available as a dependent nonworking spouse of a worker.

Section 501, therefore, would tend to treat divorced homemakers who have earnings somewhat more preferentially than married homemakers who have earnings.

The effect of section 502 would be to increase benefits for spouses who leave or stay out of the labor force to care for children. On the

whole, section 502 attempts to minimize the financial disadvantage in terms of social security that may result from the choice of remaining at home to care for a child.

However, as I pointed out earlier, more and more married women with pre-school-aged children are working. For many of them, the decision to work is the result of economic necessity. By choosing to work or by being forced to work to maintain a family standard of living during periods of high inflation, these women would not be able to benefit from the additional dropout years provided by section 502. Trying to help homemakers who remain at home to care for children, and at the same time not create any inequity with respect to the many lower income working women who cannot afford to remain at home is probably impossible given the current structure of social security.

This is just another example of the dilemma that arises when you try to use the social security system with its single benefit, and single financing structure to accommodate both benefit adequacy and benefit equity considerations.

Despite some of the problems we have cited, we are pleased that you have taken the initiative to propose reforms in social security and further debate on some of these controversial matters.

We hope you find our comments helpful. We have certainly intended them to be constructive.

Thank you.

Senator ARMSTRONG. Thank you, Mr. Hacking. I also have found your comments to be helpful. In fact, I have discovered that I almost invariably learn something by studying the presentations of AARP. And I have learned something from your comments today, and from the written statement that you have submitted.

When I introduced this legislation, I did so with a statement in which I solicited the kind of comments that you have just given us. And I'm particularly pleased to have your observations about widowed spouses, and the fact that they face the same general problem of unremarried divorced spouses. Do you have any idea how many people we are talking about?

Mr. HACKING. I don't offhand, but I'm sure we could supply something for the record.

Senator ARMSTRONG. I would be glad to have that. And we will ask the Social Security Administration to take a look at that question too because, obviously, on all of these provisions the first thing I'm going to have to be able to answer is what is the cost; what is the impact on the fund.

[The information from Mr. Hacking follows:]

AMERICAN
ASSOCIATION
OF RETIRED
PERSONS

August 29, 1983

The Honorable William L. Armstrong
528 Senate Hart Office Building
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Washington, D.C. 20510

Dear Senator Armstrong:

I am writing to you in response to an inquiry you made at the July 28, 1983 Social Security and Income Maintenance Programs Subcommittee hearing on women's career choices. In discussing Section 301 of S.960, I mentioned that although divorced spouses would clearly benefit from the provision, unfortunately many widowed spouses, who are often in the same situation, would not be able to take advantage of the additional drop-out years in the computation of benefits.

In response to your question as to the number of widowed persons, the March 1978 Current Population Survey of the Bureau of the Census indicated that there were approximately 1.4 million widows 59 years old or younger with no children under age 18. Lucy Mallon, Office of Research and Statistics, Social Security Administration informed AARP that the 1.4 million figure was the best current statistic available on the issue.

Extensive information is not available on this group of women partially because they are not eligible to receive survivor benefits under current law. Nonbeneficiaries are not surveyed and very little is known about their numbers. Also, current data does not give us much information about the job skills or other labor market characteristics of widowed homemakers.

Nevertheless, we still maintain that it is somewhat inequitable to raise the benefit which a divorced spouse could earn based on his/her own earnings record and omit similarly situated widowed homemakers.

I hope that this information is helpful to you as you analyze the benefit inequities and inadequacies in the social security system in order to develop proposals that will improve the economic status of women.

Sincerely,

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Senator ARMSTRONG. But it does appear to me that the problem is the same really conceptually for each of them. That if they don't have remaining years to develop a good earnings record that it's inequitable and it's sort of a catch 22 situation.

Let me turn to your observations about section 502. And I do understand your point. You are saying that if for other nonsocial security reasons or just pure day to day economic reasons a mother has to return to the paid work force that, in effect, this bill grants an additional benefit to someone who is not in that situation who can afford to take a year off or 2 years off to be with an infant at that critical time in a child's life. You are saying that, in effect, that creates a new form of inequity.

Mr. HACKING. It could be perceived as such by women who, indeed, are forced to go into the job market and stay there, and for whom staying at home to care for a child is really not a choice.

Senator ARMSTRONG. My questions really are two then. First, you would agree, I think, that we are not taking anything away from the working mothers who are forced by economic conditions to return to the work force perhaps more rapidly than she might otherwise want to do. That there isn't any benefit which they now receive or to which they are now entitled that would be withdrawn from them by this legislation. In other words, they are not any worse off. They just don't receive a corresponding benefit that someone who is economically able to defer their return to the work force would receive.

Mr. HACKING. I think it's fair to say that you are not taking something away from them. However, one could argue credibly that by giving an advantage to one group and committing resources for that purpose—tax dollars for that purpose—those dollars are not available to spread across the board to everyone.

Senator ARMSTRONG. On the whole, I guess, the question, then, that we are wrestling with is—that the Senate would wrestle with—is whether or not granting what you have said—and I think you've summed up the argument very well—is whether or not notwithstanding that the social security law is fairer with this new 502 provision in or with it out. And my judgment is that it is a bit fairer. But I do recognize the points you have made.

Do you want to add anything more to that? Or having raised the issue and defined it, is that cs far as you wish to go? Or do you want to tell us, in effect, how you feel? Are we better off with it in or better off with it out in the opinion of your organization?

Ms. FIORI. I think we wish not to make a judgment on that question at this time. We are just trying to make you aware of some of these other ramifications before a decision is made.

Senator ARMSTRONG. I appreciate that. And I think that that has been very well defined. I appreciate your drawing it to our attention because in some sense what you are saying could be applied to virtually any social security provision that even though it may not affect a particular group of workers directly or taxpayers or beneficiaries, that to the extent we are all in the same boat together, it affects everybody even though it may be an indirect affect.

Could I shift the focus finally to a question that I have asked of the other witnesses today? And that is this issue of what the work force is going to look like in the future. Do you see present trends

continuing? What do your members tell you? You've got 14 million of them out there. Is this something that we can learn from this group of 14 million members about what the future is likely to hold?

Mr. HACKING. Well, Senator, with a membership the size of ours, you can imagaine, our members tell us many things. What some tell us is in conflict with what others tell us. But certainly the association pays a great deal of attention to trends, all kind of trends—labor force participation trends of both men and women, young and old, economic trends, trends in length of life, and trends in terms of family size and family stability. All of these have very important implications for the society in general, and for many of the country's great social programs like social security.

I guess as a matter of policy analysis we try to develop our own position in terms of public policy issues in a manner that takes account of the reality of the trends as we see them. But we also recognize that trends can change. They tend to change gradually, although in the economic area change can be extremely volatile.

But social trends change much more gradually. Our tendency is to try to take account of the trends and come out with a policy position that plays it safe so that we don't end up relying on something that turns out to be overly optimistic, and find ourselves facing a crisis situation that is insuperable at some point in time.

That is a very important concern of ours, and is certainly reflected in many of the positions that we have taken with respect to the social security programs over the years.

Senator ARMSTRONG. Mr. Hacking, referring to trends, I would like to go back to your statement beginning on page 2 in your profile of older women. Do you have any basis on which to say whether or not the economic profile that you describe here is likely to improve? Basically, what you are saying is that poverty is disproportionately a problem of elderly women. Is that going to improve? Or do you have any way to know that?

Mr. HACKING. It will improve, very likely, in real terms. In other words, future single older women will not be as poor as single older women tend to be today. However, what is important is the relative economic situation of single aged women today relative to younger aged men and women. I don't know that the trends would indicate that the relative position of these subgroups of the elderly is going to change. In other words, in the future we would expect all older person to be better off economically than they are today. But in the future, we have no reason to believe that the economic position of single aged women will have improved relative to that of younger aged men and women.

One difficulty in making a projection like that, of course, is that you have to take into account what is going to happen in terms of labor force participation on the part of women, young women, today, and what is going to happen in terms of their earnings relative to the earnings of men over time. I would say we haven't seen any great leveling in the disparity between earnings paid to women and earnings paid to men doing relatively the same kind of job.

But those are variables that have to be taken into account.

Senator ARMSTRONG. Well, I assume that the chief variable would be just what you have described. That is, the relative levels

of income of men and women in the paid labor force, but to the extent that this legislation might impact at the margin on divorced or widowed spouses who do not remarry, it at least to that extent would tend to equalize that or alleviate at least this disproportionate—well, the extent to which elderly women are disproportionately more represented in the poverty group.

Mr. HACKING. Yes. I think there would be some beneficial or helpful effects there.

Senator ARMSTRONG. I assume that that statistically would not be a very large contribution because the whole system is so much driven by this other factor although to an individual person who might be affected, it could be tremendously significant.

Mr. HACKING. I think the provision would help, but I think it would be marginal.

Senator ARMSTRONG. Well, we are grateful to you for your participation, and for the statement you have given us. And for your testimony today. And unless there is something else, we are adjourned. We will be back in session at least in part on this bill next week to get the Treasury's comments on IRA and some other loose ends. And, hopefully, will be able to persuade the committee to take a look at marking up some or all of these provisions at an early date.

Thank you. We are adjourned.

Mr. HACKING. Thank you.

Senator ARMSTRONG. One witness, Robert J. Myers, was unable to attend the hearing. Therefore, I ask for unanimous consent that his statement be read into the record.

STATEMENT BY ROBERT J. MYERS

Mr. Chairman and members of the Subcommittee; my name is Robert J. Myers. I most recently was Executive Director of the National Commission on Social Security Reform, and thereafter was a consultant to the Committee on Finance during the legislative considerations which led to the enactment of the Social Security Amendments of 1983. The following remarks represent entirely my own views.

I appreciate very much the opportunity to present my views on the Social Security provisions of S. 960 introduced by the distinguished Chairman of this Subcommittee. These provisions are contained in Sections 501 and 502 of the bill. I shall first discuss the underlying principles involved in these provisions, and then I shall point out several places where I believe that the drafting could be improved somewhat.

In general, the two proposed changes would alleviate significantly certain problems of the Social Security program in areas affecting homemakers—and thus primarily women. I support both of the proposed changes as representing forward steps. I believe that changes such as this should be made to alleviate situations under the Social Security program where homemakers are significantly disadvantaged. Such remedial approaches within the existing framework of the system are far superior to other approaches that have been suggested which would drastically alter the nature of the program, such as earnings sharing. Such far-sweeping changes would often solve certain problems, but they would create new ones, while at the same time they would involve transitional problems which would be insurmountable from cost and administrative standpoints.

Both of the proposals in S. 960 involve increasing the number of drop-out years in the computation of Social Security benefits. Before proceeding further, let me first give a brief discussion of the history and development of the concept of drop-out years.

Social Security benefits for an individual are computed from average earnings over a prescribed period of years after 1950, which tends to correspond with the potential working period then. Specifically, the number of years used in computing the average earnings for retirement cases is based on the years after the year of attainment of age 21 (or 1950 if later) and before the year of attainment of age 62, minus

5 years. Such 5 years are commonly referred to as drop-out years, because the individual can exclude 5 years of low earnings in the period before attaining age 62. Likewise, if the year of attainment of age 62, or any later year, has high earnings, these can be substituted for low years before age 62. The same procedure is also followed for high years of earnings before age 21 (but after 1950), although this will not usually apply.

The net result of the procedure of having drop-out years is to require, eventually, that persons will have their Social Security retirement benefits computed from their best 35 years of indexed earnings. Persons attaining age 62 in 1983 have a computation period, in general, of 26 years, and the eventual requirement of 35 years will first be reached for those attaining age 62 in 1991.

One might well ask why a 5-year drop-out period was established. The answer quite simply is that self-employed farmers and certain other groups were first covered under Social Security in 1955, so that—in the absence of a drop-out provision—they would have been required to use 4 years of zero earnings in computing their average earnings, because the computation period would start with 1951. In order to avoid this result, provision was made for 5 drop-out years, thus giving the possibility of omitting one further years with low earnings. Quite naturally, such procedure was made applicable to all covered persons, rather than merely to those newly covered in 1955, because it would have been difficult to distinguished those who were newly covered, and because anomalous results might have arisen for those who were covered during the entire period after 1950 but had low earnings in 1951–54.

Section 501 provides additional drop-out years up to a maximum of 10 in the computation of old-age and disability benefits for persons who are divorced and have not remarried. The number of such additional drop-out years depends upon the number of years during which the individual was married and had no covered earnings and no earnings from governmental employment.

Such a provision would be very beneficial in the case of divorced homemakes who, subsequent to divorce, enter the paid labor market, because they would have more drop-out years and thus a smaller period over which to compute their average earnings. Accordingly, higher benefit amonts would result, and these would more closely be indicative of the earnings level during the period of employment. It should, of course, be recognized that, in the case of divorced individuals who had had at least 10 years of marriage, the benefit payable would, in essence, be the larger of that based on the earnings of the former spouse and that based on their own earnings.

Section 502 provides that additional drop-out years, up to a maximum of 2 years, will be provided in the computation of all types of Social Security benefits in those cases where the individual was taking care of a child under age 3 and had no earnings during the year. This would replace, and would significantly broaden, a provision in current law that provides up to 2 child-care drop-out years for persons who are disabled at age 36 or under. Actually, the law states that there may be 3 such drop-out years, but—as it so happens—the maximum number that can occur in any case in actual practice is 2 years (because of the separate requirement of minimum of 2 years of earnings being used for computation purposes).

I believe that his proposal is very desirable, and if it proves successful, it might well be broadened in the future to provide recognition of more than 2 such child-care drop-out years, possibly with a broader definition of child care than that the child must be under age 3. However, cost considerations may be a barrier, as I will discuss subsequently, although it might be well to reduce benefit growth in other areas so as to provide the necessary financing for liberalization of this provision.

I do not have available any cost estimates as to the effect of these two proposals on the financing of the Social Security program. Certainly, the increase in cost both in the short run and in the long range will not be large, but nonetheless it will be significant.

I believe that, in the 1980s, the increased cost will be relatively small, because both proposals have only a prospective effect. Accordingly, it is unlikely that any significant additional financing will be necessary in the short run in order to maintain the financial solvency of the system during that period which has been virtually assured by the Social Security Amendments of 1983.

However, over the long range, some additional financial would be desirable, either through slightly increased additional revenues or, more desirably, through a reduction in the rate of growth of benefit outgo. Specifically, with regard to the latter point, it might well be desirable to have a slightly lower general benefit level—as was proposed in the Senate version of the 1983 Amendments—so as to free up some financing for benefit improvements in certain areas.

Finally, I would like to mention some points where the drafting of the proposals might be improved. As to Section 501, the test of having no earnings during a year

might better be applied as it is in Section 502 (by reference to Section 203(f)(5) of the Social Security Act), because otherwise the individual could have been working substantially in some type of noncovered employment other than governmental work (such as for a nonprofit organization) and yet receive the drop-out years provided. Also, it should be made clear that the amendment made by Section 501 would apply to Section 215(b)(2)(A) of the Social Security Act after such section is amended by Section 502 of the bill. Further, there is some question as to how Section 501 would apply in the case of an individual who is divorced twice. As to Section 502, a change might be made so as to have it apply only to cases arising in the future, such as is done in Section 501.

[Whereupon, at 3:17 p.m., the hearing was concluded.]

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